



Republican Policy Committee

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Post-Cold War International Spending to Take Its Share of Cuts

Function 150 is the category of the federal budget that funds the Department of State; the Agency for International Development (AID), which is the primary agency for U.S. foreign aid programs; the United States Information Agency (USIA), which comprises a number of worldwide informational activities, including the Voice of America; and the Arms Control and Disarmament Agency (ACDA), which has major responsibilities for compliance with arms control activities and weapons nonproliferation.

With the end of the Cold War and the end of the Soviet Union, the foreign affairs budget is due for serious reexamination in light of new global realities. This imperative is even more important in light of our overall fiscal problems and the acute need to get federal spending under control.

- *There is no legitimate reason to exempt international affairs spending, particularly foreign aid, from the reductions being imposed elsewhere in the budget.*

- **Function 150 is fully eight percent of federal nondefense discretionary spending, and about half of this is foreign aid.**

- As explained below, the cuts in Function 150 spending recommended by the Senate budget resolution, S. Con. Res. 13, are clearly in line with those imposed in other budget functions.

- Opponents of the planned reductions are set to claim that the international affairs budget has been cut by 45 percent in recent years, and that Function 150 is a mere one percent of government spending.

- > However, these claims are derived from a 1993 spike in spending representing a replenishment for the International Monetary Fund and by an initiative to reestablish Israeli solvency in 1984-85. If these bumps are eliminated, discretionary budget authority for Function 150 has been essentially flat (at about \$20 billion annually) since the mid-1980s; discretionary outlays, in constant dollars, have also remained nearly flat.

S. Con. Res. 13 includes significant cuts in international affairs funding. Among the highlights:

- ***Even under current law, some reductions would occur.*** In 1995, \$18.9 billion in both budget authority and outlays would be spent *under current law* on international affairs activities.

- Of this amount, about one-third is under AID (i.e., foreign aid programs) and about one-fourth is under the State Department.

- Under current law, Function 150 spending would fall by approximately \$2.4 billion in budget authority and outlays between 1995 and 1999: to \$16.6 billion in outlays by 2000.

[NOTE: The year 2000 budget authority reflects a \$1.9 billion "spike up" due to mandatory account fluctuations; the outlays figure reflects the actual decrease in Function 150 spending. See S. Rept. 104-82, p. 29.]

- ***The Budget Committee recommendation makes significant cuts to projected spending levels, realizing large savings compared to both current law and the President's budget request.*** The Committee recommendation assumes \$16.9 billion in outlays in 1996.

- This compares to \$17.5 billion in outlays under current law and \$17.5 billion in outlays in the Administration request.

- Under S. Con. Res. 13, outlays would decline to \$13.1 billion by the year 2000.

- Over the seven-year period 1996-2002, \$99.5 billion in outlays would be spent on international affairs functions under the Committee recommendation, compared to \$117.6 billion under the current law baseline.

- This translates into a cumulative savings of \$18.1 billion in outlays over the period 1996-2002, compared to the current law baseline. The corresponding savings for the five-year period 1996-2000, are \$11.2 billion.

— Comparing the Committee resolution to the President's request, the savings total \$9.6 billion in outlays over the five-year period 1996-2000. (Cumulative figures for the period 1996-2002 are not available.)

- *The Committee recommendation assumes, among other changes, major discretionary options to achieve the recommended funding levels and associated savings.*

— **Agency Restructuring:** The Committee recommendation is consistent with plans by the Committee on Foreign Relations to completely restructure Executive Branch agencies responsible for foreign affairs, including the abolition of AID, USIA, and ACDA by September 30, 1997, with their functions consolidated in the Department of State. [See the Committee Report, p. 213] Accordingly, the Committee recommendation assumes:

- > Reduced funding of the Department of State by \$381 million in outlays over five years;
- > Reduced funding for current AID programs of \$2.7 billion in outlays over five years;
- > Reduced funding for current USIA programs by \$900 million in outlays over five years; and
- > Reduced funding for current ACDA function of \$53 million in outlays over five years.

— **Foreign Aid Reforms:** The Committee recommendation assumes changes in foreign aid, including phasing down aid to European countries (i.e., Eastern Europe and the former Soviet Union) by \$1.7 billion in outlays over five years, and reducing replenishments to multilateral development banks (e.g., World Bank, International Monetary Fund) by \$1.6 billion over five years.

— **Reduced Corporate Subsidies:** The Committee assumes reduced funding for export financing and trade promotion programs by \$404 million over five years; and reducing P.L. 480 food aid ("Food for Peace") by \$386 million over five years.

— **Readjusted American Participation in International Organizations:** The Committee assumes the following reductions in spending:

> Limited voluntary peacekeeping funding to the Camp David Accord Multilateral Force and Observers mission, for a savings of \$268 million in outlays over five years;

> Limited participation in voluntary international organizations and programs to \$200 million annually, for savings of \$788 million in outlays over five years; and

> Progressively phased back assessed contributions for United Nations peacekeeping to the 1991 level, saving \$1.2 billion over five years. [NOTE: The issue of the U.S. burden for U.N. peacekeeping costs is very contentious. As Foreign Relations Committee Chairman Helms pointed out in his submission to the Budget Committee (p. 213 of the Committee Report): "The Clinton budget is unrealistic in its United Nations peacekeeping request. The Administration request contemplates nearly \$1 billion less for U.N. peacekeeping costs than were incurred in fiscal year 1995. . . . The State Department estimates that the President's fiscal year 1996 request for \$445 million for assessed U.N. peacekeeping activities will fall short of covering actual costs by almost \$800 million. The Administration has refused to adjust their request to reflect expected peacekeeping costs accurately." In addition, Senator Helms reiterated his Committee's determination to reduce the proportion of U.N. peacekeeping costs assigned to the United States: "The [Foreign Relations] Committee has been adamant that the United States pay for no more than 25 percent of the assessed costs of U.N. peacekeeping operations (see Public Law 103-236). The projected savings from paying for 25 percent, rather than 31.4 percent, of the operations will save the United States tens of million of dollars every year."]

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